

July 6, 2004

## QUOTE OF THE WEEK

*"Giving money and power to government is like giving whiskey and car keys to teenage boys." P.J. O'Rourke*

## UNDER THE DOME

### **\*\*\*Snatching Defeat from the Jaws of Victory\*\*\***

Republican Legislators started late last week to make public their criticism of the Governor's budget negotiations questioning his restoration of major spending proposals on a budget only balanced by borrowing. Instead of remaining silent and letting the press savage the Governor and the Republican legislators for this split, Democrat legislators stupidly brought up their own list of demands and have now managed to take ownership of the late budget.

What could the Democrat legislators be demanding that is so important? They are fighting for the right to steal money from local governments. That's right: they object to the Constitutional Amendment that the Governor negotiated with local governments that protected cities, counties and special districts from again being victims of state mismanagement. Without Constitutional protections, local governments would still be subject to the whims of the legislature and the governor regarding local finances.

My thanks to these legislators for saving the Republicans (so far) from an embarrassing spat and for showing their true colors with regard to their lack of support for local government fiscal priorities.

### **\*\*\*Tax Row Highlights GOP, Dem Perspectives\*\*\***

There was a silly article in the June 30 LA Times (Loophole You Can Sail a Yacht Through) about the Board of Equalization's 90-day rule that allows one to import a used boat into California without a sales tax. (This same rule applies to vehicles and aircraft, too.) If one takes possession of a boat out of state, and uses it out of California for at least 90 days, owners can then bring their boats into California and not pay sales tax. Some have called it a loophole but it makes no sense for someone moving into California to pay California a sales tax for all their possessions that were all purchased elsewhere. Democrat legislators were quoted emotionally opining on the outrageousness of it all and several newspapers in my district have opined that the loophole must be closed.

Thankfully, the level-headed Senate Republican Leader, Dick Ackerman, was quoted in the same article with a different take. The gist of his point: without this 90-day rule,

there would not be a boating industry based in California. Why? Because it is highly unlikely that someone is going to spend \$500,000 on a boat and then happily pay an 8% premium just for the privilege of buying it in California when he or she has the option of buying that same boat in Florida or Hawaii without the high penalty. Florida completely exempts from tax boats that are bought in Florida and taken out of state by non-residents. If the Democrats change California law, how are we going to compete?

The only ones really hurt by a change are those middle income families who cannot afford to use their boat out of state for some lengthy period. People who have the kind of money needed to buy a luxury boat will spend the money to legally use their boat out of California for whatever period of time required. When we make it uneconomical for people to buy California-made boats, then many -- perhaps all -- of the people who work in our boat yards will no longer enjoy having a job, no longer have disposable income to spend, no longer pay taxes, and so on. It is easy to see that this is not a loophole. But to see this one has to employ reason, not mere emotion, and reason is hard to come by during budget season in Sacramento's summer sun.

## **TAXING TIMES**

### **\*\*\*Railroading a Tax\*\*\***

At its meeting last week, the Board of Equalization adopted the tax rate for all private railroad cars in California. There are more than 28,000 railroad cars not owned by a railroad. To calculate the tax, the Board staff publishes the average property tax rate for each county in California. Since Proposition 13 set this rate at 1% of the assessed value many would assume that it is frozen. However, voter approved bonds and property tax increases have increased the rate. The statewide average is 8% higher than the rate set under Proposition 13 at 1.088%. Only one county, Modoc, is holding at the 1% rate, while the highest property tax rate is in Fresno County, at 18% above the so-called maximum.

### **\*\*\*Don't Let Them Work on Your House Without It\*\*\***

A friend of mine and loyal Leonard Letter reader recently received some complaints about his ad for landscaping services. One of his ads pictures a work shirt with a contractor's state license pocket card coming out of the pocket. The caption says, "Don't let them work on your house without it." This is his attempt to discourage the underground economy. Many people think they are simply getting a good deal when they use unlicensed contractors or landscapers. They may be paying less up front, but they are not getting a good deal. That unlicensed handyman is paying not paying taxes on his supplies or his employees, is avoiding workers' comp premiums and general liability insurance and is also dodging many of the other costs that every legitimate business person has to meet. Such underground workers damage those who follow the rules and obey the laws. I encourage you not to let anyone work on your home or yard

without checking for his or her license and business reputation, and I commend my reader for fighting against the underground economy that threatens so much in our state.

## **ISSUE FOCUS**

### **\*\*\*Citizenship Test\*\*\***

One of my staff members shared with me a touching story last week. She was making a purchase at a store and the friendly clerk started up conversation. The clerk was an older gentleman, working in the golf store just to pass time and keep busy. When my staffer wished him a happy Independence Day, his eyes glistened and he explained that he would have a particularly good Fourth of July this year because it was his first as a U.S. citizen. He was Canadian by birth, but was naturalized on April 14<sup>th</sup> of this year. His pride in being able to celebrate the birth of the United States as a citizen for the first time was evident and contagious.

In that spirit, the Leonard Letter will spend the next several weeks sharing sample questions from the test that all immigrants applying for U.S. citizenship must pass. I wonder how many people who are born in this great country could answer them as well as the immigrants who study so hard for this test.

1. What are the colors of our flag?
2. How many stars are there in our flag?
3. What color are the stars on our flag?
4. What do the stars on the flag mean?
5. How many stripes are there in the flag?
6. What color are the stripes?
7. What do the stripes on the flag mean?

## **BOE AND LEGISLATIVE DATES**

**July 31, 2004** --- Second quarterly Sales and Use Tax payment due

**August 2, 2004** --- Legislature reconvenes

**August 13, 2004** --- Last day for legislative fiscal committees to meet and report bills to the floor

**August 16-31, 2004** --- Floor sessions only; no committee may meet for any purpose

**August 24, 2004** --- BOE meets in Sacramento

## **NOTABLE DATES/ HISTORY**

**July 5, 1865** --- The Salvation Army was founded in London

**July 6, 1785** --- Congress resolved to name U.S. currency the “dollar” and adopted decimal coinage

**July 6, 1854** --- First Republican state convention was held in Ripon, Wisconsin

**July 6, 1885** --- First inoculation (for rabies) on a human being, by Louis Pasteur

**July 6, 1958** --- Alaska became the 49th state

**July 7, 1846** --- U.S. annexed California

**July 7, 1980** --- AZ Judge Sandra Day O'Connor became the first female nominated to the U.S. Supreme Court

**July 8, 1969** --- U.S. troop withdrawal began in Vietnam

**July 9, 1982** --- Margaret Thatcher began her 2nd term as British prime minister

**July 10, 1962** --- U.S. launched “Telestar,” the first successful telecommunications satellite

**July 11, 1767** --- John Quincy Adams, 6<sup>th</sup> U.S. President, was born in Braintree, Mass,

**July 11, 1798** --- U.S. Marine Corps was created by an act of Congress. “Some people wonder all their lives if they've made a difference. The Marines don't have that problem.” Ronald Reagan, as quoted in *Flags of Our Fathers* by James Bradley.

**July 11, 1804** --- Vice President Aaron Burr killed Alexander Hamilton in a pistol duel near Weehawken, N.J.

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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